

Property Tax Payments, 2002-2003

- Morgan County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Morgan County, state tax credits

*State Tax Credits Increased in
Morgan County from \$8.7
Million in 2002 to \$15.1 Million
in 2003.*

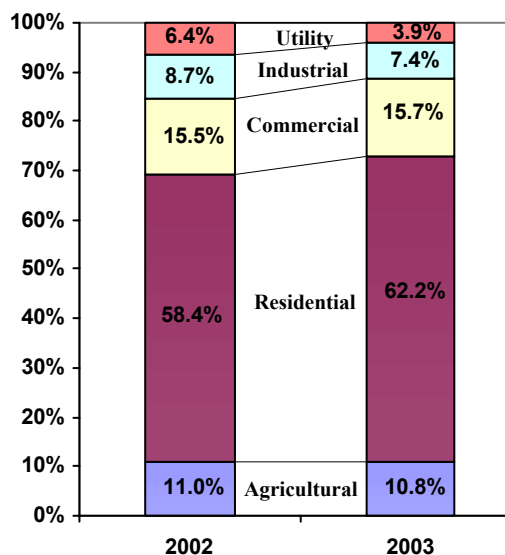
Table 1. Changes in AV and Tax Bills by Property Class for Morgan County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	98.7%	85.0%	-13.1%
Residential (All)	114.9%	87.9%	-5.8%
Homestead Only	113.8%	77.0%	-11.6%
Commercial	57.9%	59.0%	-10.6%
Industrial	60.7%	26.4%	-24.1%
Utility	-5.0%	-5.0%	-45.4%
Avg. All Classes	94.8%	73.4%	-11.4%

increased from \$8.7 million to \$15.1 million, an increase of \$6.4 million. This paper provides a brief summary of how these factors changed property tax liabilities in Morgan County.

Tax Shifts. Tax bills for all classes of property fell in Morgan County in 2003 (see Table 1). Net real plus personal assessed values (AV) increased more for agricultural, residential and commercial property than for industrial property. Utility net assessments actually declined. As a result, agricultural, residential and commercial property received smaller tax reductions, while industrial and utility property received larger reductions. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Figure 1. Share of Net Property Tax Billings in Morgan County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Morgan County saw their tax bills decrease by a greater amount than the average residential property. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills increased on non-homestead residential property, which is primarily rental property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Morgan County, slightly more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, more than three-quarters of homestead owners also saw decreases rather than increases.

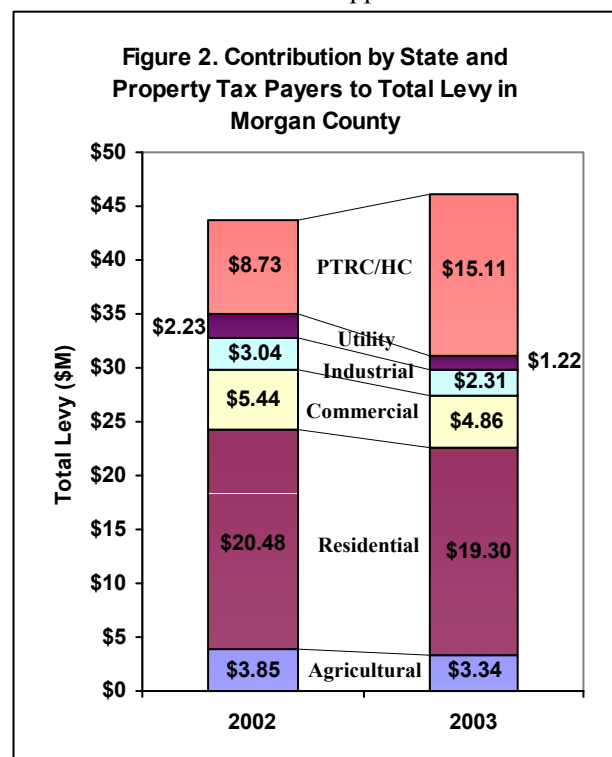
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	47.5%	22.3%	42.1%	16.6%
Decreased	52.5%	77.7%	57.9%	83.4%
Increased 100% or More	11.0%	1.7%	9.7%	1.5%
Decreased 25% or More	26.5%	42.3%	31.4%	50.5%
Average Change (\$)	-\$56	-\$181	-\$93	-\$227
Average Change (%)	-8.2%	-18.6%	-13.8%	-23.4%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, less than half of all residential property owners would have seen tax increases, and more than half would have seen tax decreases. For homesteads, substantially more homesteads would have seen decreases. With or without levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Morgan County declined. Overall, agricultural business taxes declined less than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on utility and industrial property fell in Morgan County by more than taxes on other property. This is because utility and industrial assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to



market value assessment increased business assessments less. The general rise in assessed values in Morgan County reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Morgan County by PTRC and state homestead credit payments increased by approximately 73%, from \$8.7 million to \$15.1 million.

Table 3 shows estimates of how Morgan County tax bills would have changed for each property type had tax restructuring not been adopted. Agricultural property owners would have experienced tax increases, and increases for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring eliminated these tax increases. Morgan County residential property taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Morgan County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	6.4%	-13.1%	-19.5%
Residential (All)	28.1%	-5.8%	-33.8%
Homestead Only	33.4%	-11.6%	-45.0%
Commercial	-6.3%	-10.6%	-4.3%
Industrial	-26.2%	-24.1%	2.1%
Utility	-49.4%	-45.4%	3.9%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Morgan County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	1,539,574,680	205,879,300	1,139,620,195	879,790,526	159,067,562	35,007,623	0
Real Deductions	150,758,721	12,063,426	121,002,457	121,002,457	16,045,619	1,647,219	0
Real Net Assessed Value	1,388,815,959	193,815,874	1,018,617,738	758,788,069	143,021,943	33,360,404	0
Personal Gross Assd. Value	296,774,167	7,413,100	10,898,390	0	82,110,297	87,021,420	109,330,960
Personal Deductions	8,140,490	0	64,100	0	4,988,130	3,069,230	19,030
Personal Net Assd. Value	288,633,677	7,413,100	10,834,290	0	77,122,167	83,952,190	109,311,930
Total Gross Assessed Value	1,836,348,847	213,292,400	1,150,518,585	879,790,526	241,177,859	122,029,043	109,330,960
Total Deductions	158,899,211	12,063,426	121,066,557	121,002,457	21,033,749	4,716,449	19,030
Total Net Assessed Value	1,677,449,636	201,228,974	1,029,452,028	758,788,069	220,144,110	117,312,594	109,311,930
Gross Levy	43,864,175	4,705,156	26,361,826	19,411,672	6,529,222	3,620,712	2,647,260
PTRC (Calculated)	6,842,277	694,931	4,062,081	2,975,284	1,090,376	580,345	414,544
State/County Homestead Cr. (Calculated)	1,985,730	164,490	1,821,240	1,821,240	0	0	0
Net Levy	35,036,168	3,845,735	20,478,505	14,615,148	5,438,846	3,040,367	2,232,716
Pay 2003							
Real Gross Assessed Value	3,215,182,561	414,106,240	2,460,521,656	1,881,327,730	273,170,456	67,384,209	0
Real Deductions	637,230,431	51,444,016	537,970,011	537,970,011	29,523,623	18,292,781	0
Real Net Assessed Value	2,577,952,130	362,662,224	1,922,551,645	1,343,357,719	243,646,833	49,091,428	0
Personal Gross Assd. Value	361,383,830	9,643,110	11,572,260	0	107,624,015	128,687,415	103,857,030
Personal Deductions	30,857,680	0	47,000	0	1,276,150	29,516,720	17,810
Personal Net Assd. Value	330,526,150	9,643,110	11,525,260	0	106,347,865	99,170,695	103,839,220
Total Gross Assessed Value	3,576,566,391	423,749,350	2,472,093,916	1,881,327,730	380,794,471	196,071,624	103,857,030
Total Deductions	668,088,111	51,444,016	538,017,011	537,970,011	30,799,773	47,809,501	17,810
Total Net Assessed Value	2,908,478,280	372,305,334	1,934,076,905	1,343,357,719	349,994,698	148,262,123	103,839,220
Gross Levy	46,410,434	5,105,598	30,279,479	21,007,641	6,575,585	2,899,129	1,550,643
PTRC (Calculated)	13,640,013	1,637,049	9,365,822	6,473,241	1,714,459	590,708	331,975
State/County Homestead Cr. (Calculated)	1,744,096	128,147	1,615,950	1,615,950	0	0	0
Net Levy	31,026,324	3,340,403	19,297,707	12,918,450	4,861,126	2,308,421	1,218,668

COMPARISONS

Net Levy Percent Change	-11.4%	-13.1%	-5.8%	-11.6%	-10.6%	-24.1%	-45.4%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	108.8%	101.1%	115.9%	113.8%	71.7%	92.5%	
Gross Personal AV	21.8%	30.1%	6.2%	0.0%	31.1%	47.9%	-5.0%
Total Gross Assessed Value	94.8%	98.7%	114.9%	113.8%	57.9%	60.7%	-5.0%
Net Assessed Value	73.4%	85.0%	87.9%	77.0%	59.0%	26.4%	-5.0%
Gross Levy	5.8%	8.5%	14.9%	8.2%	0.7%	-19.9%	-41.4%
Net Levy	-11.4%	-13.1%	-5.8%	-11.6%	-10.6%	-24.1%	-45.4%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	6,722,651	13,388,224	6,665,573	99.2%
State Homestead Cr. (Abstract)	2,010,188	1,723,395	-286,793	-14.3%
Total State Credits (Abstract)	8,732,839	15,111,619	6,378,780	73.0%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Morgan County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,845,735	3,340,403	-505,332	-13.1%	11.0%	10.8%	-0.2%
Residential	20,478,505	19,297,707	-1,180,798	-5.8%	58.4%	62.2%	3.8%
Commercial	5,438,846	4,861,126	-577,720	-10.6%	15.5%	15.7%	0.1%
Industrial	3,040,367	2,308,421	-731,946	-24.1%	8.7%	7.4%	-1.2%
Utility	2,232,716	1,218,668	-1,014,048	-45.4%	6.4%	3.9%	-2.4%
Exempt	21,665	15,410	-6,255	-28.9%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	35,057,834	31,041,735	-4,016,099	-11.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,691,860	3,236,209	-455,651	-12.3%	10.5%	10.4%	-0.1%
Residential	20,242,903	19,174,159	-1,068,744	-5.3%	57.7%	61.8%	4.0%
Commercial	3,586,214	3,269,593	-316,621	-8.8%	10.2%	10.5%	0.3%
Industrial	872,917	710,154	-162,763	-18.6%	2.5%	2.3%	-0.2%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	21,665	15,410	-6,255	-28.9%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	28,415,559	26,405,525	-2,010,034	-7.1%	81.1%	85.1%	4.0%
Agricultural Homesteads	1,714,598	1,382,583	-332,015	-19.4%	4.9%	4.5%	-0.4%
Residential Homesteads	14,615,148	12,918,450	-1,696,698	-11.6%	41.7%	41.6%	-0.1%
Total Homesteads	16,329,746	14,301,033	-2,028,713	-12.4%	46.6%	46.1%	-0.5%
Non-Homestead Residential	5,627,755	6,255,709	627,954	11.2%	16.1%	20.2%	4.1%
Apartments (Over 4 Units)	662,327	638,686	-23,641	-3.6%	1.9%	2.1%	0.2%
<u>Personal Property Only</u>							
Agricultural	153,875	104,194	-49,681	-32.3%	0.4%	0.3%	-0.1%
Residential	235,602	123,548	-112,054	-47.6%	0.7%	0.4%	-0.3%
Commercial	1,852,632	1,591,533	-261,099	-14.1%	5.3%	5.1%	-0.2%
Industrial	2,167,449	1,598,267	-569,182	-26.3%	6.2%	5.1%	-1.0%
Utility	2,232,716	1,218,668	-1,014,048	-45.4%	6.4%	3.9%	-2.4%
Total	6,642,274	4,636,210	-2,006,064	-30.2%	18.9%	14.9%	-4.0%
Total Depreciables	4,685,968	3,336,878	-1,349,090	-28.8%	13.4%	10.7%	-2.6%
Total Inventory	1,720,704	1,175,784	-544,920	-31.7%	4.9%	3.8%	-1.1%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,977,261	1,853,626	-123,635	-6.3%	5.6%	6.0%	0.3%
Ag Personal	153,875	104,194	-49,681	-32.3%	0.4%	0.3%	-0.1%
Total Ag Business	2,131,136	1,957,820	-173,316	-8.1%	6.1%	6.3%	0.2%
Ag Homesteads	1,714,598	1,382,583	-332,015	-19.4%	4.9%	4.5%	-0.4%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Morgan County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	201,228,974	372,305,334	171,076,360	85.0%	12.0%	12.8%	0.8%
Residential	1,029,452,028	1,934,076,905	904,624,877	87.9%	61.3%	66.5%	5.1%
Commercial	220,144,110	349,994,698	129,850,588	59.0%	13.1%	12.0%	-1.1%
Industrial	117,312,594	148,262,123	30,949,529	26.4%	7.0%	5.1%	-1.9%
Utility	109,311,930	103,839,220	-5,472,710	-5.0%	6.5%	3.6%	-2.9%
Exempt	876,240	1,307,450	431,210	49.2%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,678,325,876	2,909,785,730	1,231,459,854	73.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	193,815,874	362,662,224	168,846,350	87.1%	11.5%	12.5%	0.9%
Residential	1,018,617,738	1,922,551,645	903,933,907	88.7%	60.7%	66.1%	5.4%
Commercial	143,021,943	243,646,833	100,624,890	70.4%	8.5%	8.4%	-0.1%
Industrial	33,360,404	49,091,428	15,731,024	47.2%	2.0%	1.7%	-0.3%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	876,240	1,307,450	431,210	49.2%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,389,692,199	2,579,259,580	1,189,567,381	85.6%	82.8%	88.6%	5.8%
Agricultural Homesteads	95,608,463	164,213,697	68,605,234	71.8%	5.7%	5.6%	-0.1%
Residential Homesteads	758,788,069	1,343,357,719	584,569,650	77.0%	45.2%	46.2%	1.0%
Total Homesteads	854,396,532	1,507,571,416	653,174,884	76.4%	50.9%	51.8%	0.9%
Non-Homestead Residential	259,829,670	579,193,926	319,364,256	122.9%	15.5%	19.9%	4.4%
Apartments (Over 4 Units)	26,096,271	46,348,729	20,252,458	77.6%	1.6%	1.6%	0.0%
<u>Personal Property Only</u>							
Agricultural	7,413,100	9,643,110	2,230,010	30.1%	0.4%	0.3%	-0.1%
Residential	10,834,290	11,525,260	690,970	6.4%	0.6%	0.4%	-0.2%
Commercial	77,122,167	106,347,865	29,225,698	37.9%	4.6%	3.7%	-0.9%
Industrial	83,952,190	99,170,695	15,218,505	18.1%	5.0%	3.4%	-1.6%
Utility	109,311,930	103,839,220	-5,472,710	-5.0%	6.5%	3.6%	-2.9%
Total	288,633,677	330,526,150	41,892,473	14.5%	17.2%	11.4%	-5.8%
Total Depreciables	207,222,129	240,530,524	33,308,395	16.1%	12.3%	8.3%	-4.1%
Total Inventory	70,577,258	78,470,366	7,893,108	11.2%	4.2%	2.7%	-1.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	98,207,411	198,448,527	100,241,116	102.1%	5.9%	6.8%	1.0%
Ag Personal	7,413,100	9,643,110	2,230,010	30.1%	0.4%	0.3%	-0.1%
Total Ag Business	105,620,511	208,091,637	102,471,126	97.0%	6.3%	7.2%	0.9%
Ag Homesteads	95,608,463	164,213,697	68,605,234	71.8%	5.7%	5.6%	-0.1%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Morgan County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	137%	106%	4%	-3%
Comparable Residential Real Prop.	112%	83%	-8%	-14%
Comparable Homesteads	105%	65%	-19%	-23%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	1,290	4.9%	54	0.4%	1,224	4.6%	50	0.4%
200% to	300%	539	2.0%	42	0.3%	413	1.6%	38	0.3%
100% to	200%	1,093	4.1%	137	1.0%	923	3.5%	110	0.8%
50% to	100%	1,671	6.3%	374	2.6%	1,493	5.6%	266	1.9%
25% to	50%	2,285	8.6%	614	4.3%	1,564	5.9%	450	3.2%
10% to	25%	2,130	8.0%	858	6.0%	1,761	6.6%	597	4.2%
5% to	10%	982	3.7%	479	3.4%	1,078	4.1%	360	2.5%
0 to	5%	2,631	9.9%	622	4.4%	2,736	10.3%	499	3.5%
0 to	-5%	1,230	4.6%	701	4.9%	1,151	4.3%	593	4.2%
-5% to	-10%	1,420	5.3%	940	6.6%	1,327	5.0%	743	5.2%
-10% to	-25%	4,288	16.1%	3,409	23.9%	4,553	17.1%	3,365	23.6%
-25% to	-50%	5,918	22.3%	5,331	37.3%	6,869	25.8%	6,122	42.9%
Below	-50%	1,106	4.2%	716	5.0%	1,491	5.6%	1,084	7.6%
		26,583	100.0%	14,277	100.0%	26,583	100.0%	14,277	100.0%
Parcels With Increases		12,621	47.5%	3,180	22.3%	11,192	42.1%	2,370	16.6%
Parcels With Reductions		13,962	52.5%	11,097	77.7%	15,391	57.9%	11,907	83.4%
Average \$ Change			-\$56		-\$181		-\$93		-\$227
Average % Change			-8.2%		-18.6%		-13.8%		-23.4%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.